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Chairman: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.15 a.m.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Procurement-related arbitration (A/54/458, A/55/829)

1. **Mr. Adam** (Israel) said that the recent review of the Procurement Division by the Office of Internal Oversight Services (OIOS) had been generally positive, but had not considered how to simplify and streamline the process of procurement in the United Nations system. Currently, each vendor wishing to do business with the United Nations must register dozens of times: with the Procurement Division and the Inter-Agency Procurement Services Office (IAPSO), and again for UNICEF, UNDP, WHO, ILO and all other programmes and agencies. The General Assembly should request the Secretary-General to establish one window of procurement for the Secretariat and peacekeeping operations as well as the programmes and specialized agencies. That would be a difficult task, but the difficulties endured by companies wishing to sell to the United Nations system should also be considered. Many companies were discouraged by the cumbersome registration process. The General Assembly should ask the Secretary-General and the Administrative Committee on Coordination, through its Consultative Committee on Programme and Operational Questions (CCPOQ) or through the establishment of an ad hoc committee on procurement, to deal with the immediate reform of procurement within the United Nations system.

2. **Ms. Ona** (Board of Auditors), replying to a question posed by the United States representative at a previous meeting, said that UNICEF had purchased solar-powered, stand-on scales using a vibration-type apparatus known as the Goodier sensor for use in health and nutrition projects in its growth-monitoring programme in developing countries. As it appeared that UNICEF had entered into a major contract, amounting to some $36.5 million, without a proper analysis, the Board regarded the case as serious. While UNICEF had taken steps to limit liability, that case still represented a serious weakness. The Board was following the case and would present a report after the audit had been completed.

3. **Mr. Nakkari** (Syrian Arab Republic) said that paragraph 7 of the report of the Secretary-General on procurement-related arbitration (A/54/458) referred to inadequate contract administration as a major factor leading to arbitration. That point required further study in order to develop a clear-cut method for contract administration so as to avoid arbitration. Further clarification of the measures described in paragraph 8 was needed as well. With reference to paragraph 17, he asked why most arbitrations took place in New York rather than in Geneva, Vienna or Nairobi, if the contracts had been implemented in those other locations.

4. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), in reply to the representative of Israel, said that he understood the desire for a single procurement window because of the difficulties faced by vendors. Attempts to develop such a window had been made under IAPSO through the United Nations Common Supplier Database (UNCSD), but those attempts had not been successful. Each body had been established under different financial rules and regulations and had different mandates. Harmonization of the procurement process would be desirable, but there were limits on how far it could go.

5. **Ms. Stern** (Office of Internal Oversight Services (OIOS)) said that the representative of India had posed questions at a previous meeting concerning several of the recommendations made in the note by the Secretary-General on the follow-up audit of the implementation of procurement reform (A/55/746). With regard to recommendation 1, to replace the calendar year with the 12 consecutive months preceding the proposed award as the period of reference under financial rule 110.17 (a), the representative of India had asked whether the rule lent itself to such a procedure. OIOS had recommended that the Procurement Division should study the administrative implications before implementing that procedure. The Division would determine what changes to the Reality reporting system and other working procedures were required and report on its findings to OIOS for follow-up.

6. Regarding recommendation 4 on letters of assist, India had asked what concrete actions were envisaged to enhance consultations between the Procurement Division and the Field Administration and Logistics Division (FALD). The OIOS recommendation had been addressed to the Department of Peacekeeping

Operations. FALD had accepted the recommendation and had assured OIOS that it would initiate concrete actions. The Office would request evidence that such steps had been taken, as part of its regular follow-up on the implementation of the recommendations.

7. Concerning recommendation 6 on a time-bound market survey for air transportation, OIOS believed that the topic could best be addressed in the scheduled informal consultations. Regarding recommendation 7, the position of the Office of Central Support Services on procurement rules and procedures was not guided solely by legal considerations; commercial considerations also affected management decisions. In future, OIOS would closely monitor whether management had adequately justified exceptions to implementation of the recommendations of the Headquarters Committee on Contracts (HCC) and the Office of Legal Affairs (OLA), and whether those exceptions were kept to a minimum.

8. **Mr. Rashkow** (Director, General Legal Division), responding to the question of the representative of the Syrian Arab Republic about why most arbitrations were conducted in New York, said that the Office of Legal Affairs always considered what would be the most effective way to balance the interests of justice and of the United Nations. Almost all contracts concluded in New York were for peacekeeping missions in the field. By the time they went to arbitration, most of those missions had been completed and the relevant personnel and records had been returned to Headquarters. Therefore, in most cases it seemed more efficient to conduct the arbitration in New York.

9. **Mr. Nakkari** (Syrian Arab Republic) agreed that New York should be the centre for arbitration of contracts having to do with peacekeeping operations, but saw no reason why contracts should not be arbitrated at other places where the United Nations had permanent centres if the contracts had been implemented there.

10. **Mr. Adam** (Israel) suggested that representatives of IAPSO and UNCSD should be invited to participate in the informal consultations on that topic.

11. **Mr. Niwa** (Assistant Secretary-General for Central Support Services) said that it would not be possible to act on that suggestion because of the distance involved and time constraints, but that he would raise the questions posed by members at a forthcoming meeting of the Inter-Agency Procurement Working Group and report to the Committee.

The meeting rose at 10.50 a.m.